

Message Text

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ACTION EUR-12

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SUBJECT: COMMISSION'S 1976 BUDGET PROPOSAL FACES MEMBER STATE
OPPOSITION

1. SUMMARY: THE EC COMMISSION'S DRAFT BUDGET PROPOSES A SUB-
STANTIAL INCREASE IN COMMUNITY EXPENDITURES NEXT YEAR. EVEN
THOUGH THE BULK OF THE INCREASES IS TO FINANCE ACTIVITIES
UPON WHICH THE MEMBER STATES HAVE ALREADY AGREED, THE FRG
AND OTHERS ARE CAMPAIGNING FOR A SHARP REDUCTION IN THE
PROPOSAL. THE EC BUDGET COUNCIL TAKES UP THIS ISSUE ON
SEPTEMBER 22. END SUMMARY:

2. THE EC COMMISSION HAS PROPOSED A 28.7 PERCENT INCREASE
IN COMMUNITY BUDGETARY EXPENDITURES FOR 1976. THE TOTAL
REQUEST FOR NEXT YEAR AMOUNTS TO 7.9 BILLION UNITS OF
ACCOUNT (\$9.6 BILLION) COMPARED TO A 1975 BUDGET, INCLUDING
FOUR SUPPLEMENTS, OF 6.2 BILLION U.A. THE BULK OF THIS
INCREASE IS GOING FOR ACTIVITIES WHICH THE COUNCIL
HAS ALREADY DECIDED TO EXPAND. THESE INCREASES
INCLUDE: 920 MILLION U.A. FOR THE EUROPEAN AGRICULTURE
GRANTS AND GUARANTEE FUND (EAGGF); 300 MILLION U.A.
FOR THE REGIONAL FUND; 145 MILLION U.A. FOR THE SOCIAL
FUND; 128 MILLION U.A. FOR FOOD AID; AND 27 MILLION U.A.

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FOR DEVELOPMENT ASSISTANCE. THE COMMISSION CLAIMS ITS

BUDGET IS QUITE STRINGENT. THERE ARE ONLY 74 MILLION U.A. OF NEW MEASURES, COMPARED TO 963 MILLION U.A. LAST YEAR, AND PROPOSED STAFF INCREASES WILL COST ONLY ABOUT 4.5 MILLION U.A.

3. SEVERAL MEMBER STATES, ESPECIALLY THE FRG, ARE NOT IN ACCORD, THE FRG HAS ASKED FOR AN 11 PERCENT OR 865 MILLION U.A. CUT IN THE DRAFT REQUEST IN AN EFFORT TO ECONOMIZE AND REDUCE THE BURDEN ON MEMBER STATE BUDGETS. THE EC PERMANENT REPRESENTATIVES HAVE BEEN ATTEMPTING TO ADOPT A COMMON POSITION ON THE BUDGET, BUT LITTLE PROGRESS HAS BEEN MADE; VIRTUALLY ALL OF THE MAJOR EXPENDITURE ITEMS ARE STILL BEING DEBATED.

4. THE FRG HAS THREATENED TO VETO THE COMMISSION'S PROPOSAL IF THERE IS NOT A SUBSTANTIAL REDUCTION. FRG PERMANENT REPRESENTATIVES SAY, HOWEVER, THAT THE FRG IS NOT IN THE POSITION TO CARRY OUT THIS THREAT, BECAUSE THE EC TREATY PROVIDES FOR THE ADOPTION OF THE BUDGET BY A QUALIFIED MAJORITY VOTE AND THE UNDERSTANDING ALLOWING EACH MEMBER STATE A VETO ON AN IMPORTANT ISSUE SPECIFICALLY EXCLUDES BUDGETARY MATTERS. HOWEVER, WE EXPECT THAT THE COUNCIL WILL SEEK TO REACH A COMPROMISE UPON WHICH ALL THE MEMBER STATES CAN AGREE. THE FRG PLANS TO BLOCK THE COMMISSION'S PROPOSAL BY MARSHALLING MEMBER STATE SUPPORT FOR ITS PROPOSED CUT. FRG OFFICIALS BELIEVE THAT THE COUNCIL MAY AGREE TO A 500-600 MILLION U.A.

REDUCTION. SEVERAL STATES, ESPECIALLY THE UK, ITALY, AND IRELAND, ARE RELUCTANT TO REDUCE MAJOR ITEMS SUCH AS THE REGIONAL AND SOCIAL FUNDS, FROM WHICH THEY ARE MAJOR BENEFICIARIES.

5. THE EC BUDGET COUNCIL MEETS CONCURRENTLY WITH THE FINANCE COUNCIL ON SEPTEMBER 22 TO TAKE UP THE COMMISSION'S PROPOSAL AND SOME MINISTERS MAY PARTICIPATE IN BOTH MEETINGS. OFFICIALS HERE DO NOT EXPECT THIS BUDGET COUNCIL TO RESOLVE THE LIMITED OFFICIAL USE

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OUTSTANDING ISSUES AND IT WILL PROBABLY HAVE TO MEET AGAIN ON SEPTEMBER 26. THE COUNCIL IS WORKING UNDER AN OCTOBER 5 DEADLINE, WHEN IT IS REQUIRED TO SUBMIT ITS PROPOSED BUDGET TO THE EUROPEAN PARLIAMENT. THE PARLIAMENT IN TURN MAY PROPOSE CHANGES TO THE COUNCIL, WHICH HAS THE FINAL SAY ON MOST EXPENDITURES, EXCEPT FOR "NON-COMPULSORY" EXPENDITURES WHICH ARE DECIDED UPON JOINTLY.

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